



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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## **COMMISSION PENALIZES INSURANCE AGENT AND FORMER STOCKBROKER FOR SELLING UNREGISTERED SECURITIES**

PHOENIX – The Arizona Corporation Commission entered consent orders requiring two individuals to return a total of over \$48,000 in restitution and to pay \$20,000 in penalties for selling unregistered securities. Both cases involved the offer and sale of viatical settlement contracts. One of the cases also involved the offer and sale of unregistered investment contracts featuring pay telephones, ATM machines as well as an investment trust.

### **James L. Oppenheimer**

James L. Oppenheimer, 72, of Pinetop, Arizona, consented to a Commission order requiring the payment of \$15,411 to investors and the payment of a \$5,000 penalty to the State of Arizona.

Oppenheimer, a former registered securities salesman for Franklin Financial Services Corporation, agreed to make restitution without admitting or denying specific facts and conclusions. Oppenheimer also agreed not to reapply for registration as a securities salesperson or as an investment adviser in Arizona.

The restitution amount represents the commissions Oppenheimer earned from selling viatical settlement contracts issued by Mutual Benefits Corp., a Florida-based company. The viatical contracts sold by Mr. Oppenheimer were neither registered nor exempt from registration under the Arizona Securities Act.

The Commission found that between April 1999 and April 2001, Oppenheimer sold approximately \$217,573 of the Mutual Benefits viatical settlement contracts to six Arizona investors. During this time, Oppenheimer was employed as a registered securities salesman with Franklin Financial Services Corporation and his sales activity

regarding the Mutual Benefits contracts was in direct opposition to his employer's policy not to sell viatical contracts. Oppenheimer was subsequently permitted to resign from employment with Franklin Financial Services on June 27, 2002.

Viatical settlement contracts involve selling the future death benefits of an insurance policy to investors. Originally, viaticals were a way to help AIDS patients pay their medical bills. When the policyholder died, the investors received the proceeds of the policy. Today, the policyholder may be an AIDS patient as well as any terminally ill person who needs immediate financial resources. Viaticals are considered to be a high-risk, complex investment.

### **Stephen Hiltbrand**

A 55-year-old insurance agent, Stephen Hiltbrand, agreed to a Commission order requiring the return of over \$32,833 to investors and the payment of a \$15,000 penalty for fraudulently selling unregistered securities. The restitution figure represents the amount of commissions Hiltbrand earned selling the investments. Hiltbrand agreed to the entry of the Commission's order without admitting or denying specific facts and conclusions contained in it.

From at least January 1999 through at least June 2000, Hiltbrand offered and sold to at least 67 Arizona investors over \$2.3 million in unregistered securities such as viatical settlement contracts, pay telephones, ATM machines and an investment trust.

The Commission found that Hiltbrand provided inaccurate or fraudulent statements to investors and failed to provide investors with disclosure statements, prospectuses or financial statements. During this time, Hiltbrand was not registered to sell securities. He currently holds a license to sell insurance in Arizona.

Integrowth Financial Group recruited Hiltbrand and others to open a Phoenix branch office in 1999. Hiltbrand, along with others, subsequently established their own business, Fountain Capital Management, LLC. Hiltbrand and associates sold viatical settlements, but then branched out into other unregistered and fraudulent activity, including a Ponzi scheme.

The Commission found that of the four primary unregistered investments sold by Hiltbrand, three of them – Future First Financial Corp., Alpha Telecom, and Chemical Trust – were sued by securities regulators for fraudulent

activity, with receivers appointed to collect any assets from investors. A fourth investment, Integrated Cash Systems, defaulted on its investors' contracts. Integrated Cash Systems also has other securities orders against it.

Both Integrowth and Fountain Capital ran advertisements in Phoenix newspapers, offering investments with market returns as high as 40 percent at "no risk." Investors, however, were not made aware of the multiple orders filed in other states against Integrowth Financial and its various salespeople.

In August 2004, the Commission issued default orders against Integrowth Financial Group for ignoring previous orders to stop selling unregistered securities. The Commission ordered Integrowth Financial Group and its representatives to return over \$2.3 million in investor funds and to pay a total of \$100,000 in penalties.

### **Caution for Investors**

Before investing, people should verify the registration of sellers and investment opportunities and investigate disciplinary histories, by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free outside the Phoenix metropolitan area and Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at **[www.azinvestor.gov](http://www.azinvestor.gov)**.

The Commission's orders against the named respondents will be posted to the Securities Division's website under Enforcement/Orders as soon as they are signed by all of the Commissioners. To access the full text of the Commission's orders, please check the website in a few days:

**<http://www.azinvestor.gov/enforcement/enforce-orders.asp>**

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